



Senate

General Assembly

File No. 38

February Session, 2008

Senate Bill No. 426

Senate, March 18, 2008

The Committee on Banks reported through SEN. DUFF of the 25th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING COLLECTION AGENCIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 36a-802 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2008*):

4 (a) No such license and no renewal thereof shall be granted unless
5 the applicant has filed with the commissioner a bond to the people of
6 the state in the penal sum of [five] fifty thousand dollars, approved by
7 the Attorney General as to form and by the commissioner as to
8 sufficiency of the security thereof. Such bond shall be conditioned that
9 such licensee shall well, truly and faithfully account for all funds
10 entrusted to the licensee and collected and received by the licensee in
11 the licensee's capacity as a consumer collection agency. Any person
12 who may be damaged by the wrongful conversion of any creditor,
13 consumer debtor or property tax debtor funds received by such
14 consumer collection agency may proceed on such bond against the
15 principal or surety thereon, or both, to recover damages. The

16 commissioner may proceed on such bond against the principal or
17 surety thereon, or both, to collect any civil penalty imposed upon the
18 licensee pursuant to subsection (a) of section 36a-50. The proceeds of
19 the bond, even if commingled with other assets of the licensee, shall be
20 deemed by operation of law to be held in trust for the benefit of such
21 claimants against the licensee in the event of bankruptcy of the licensee
22 and shall be immune from attachment by creditors and judgment
23 creditors. The bond shall run concurrently with the period of the
24 license granted to the applicant, and the aggregate liability under the
25 bond shall not exceed the penal sum of the bond.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2008</i>	36a-802(a)

BA *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Banking Dept.	BF - Cost	40,000 to 80,000	None

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill results in an estimated cost to the Department of Banking of \$40,000 to \$80,000 due to the need to hire durational staff who would be needed to notify the nearly 1,000 licensees impacted by the bill.

The Out Years

No fiscal impact is anticipated beyond FY 09.

OLR Bill Analysis**SB 426*****AN ACT CONCERNING COLLECTION AGENCIES.*****SUMMARY:**

This bill raises, from \$5,000 to \$50,000, the bond required to obtain or renew a consumer collection agency license. A consumer collection agency is generally any person engaged in the business of collecting or receiving (1) for payment for others of any account, bill, or other indebtedness from a consumer debtor or (2) for payment of property tax from a property tax debtor on behalf of a municipality.

EFFECTIVE DATE: October 1, 2008

BACKGROUND

The law allows anyone hurt by a consumer collection agency's illegal conversion of creditor or consumer debt funds to recover damages from the bond principal, surety, or both. It also allows the banking commissioner to proceed on the bond against the principal, surety, or both, and to collect any civil penalty for the licensee's violation of banking laws. The bond proceeds, even if commingled with the licensee's other assets, must be held in trust for successful claimants in case of the licensee's bankruptcy. The licensee's creditors and judgment holders cannot attach these funds. The bond runs concurrently with the license, and the licensee's total bond liability cannot exceed the bond's penalty amount.

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 17 Nay 0 (03/04/2008)